

**NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY  
BOARD OF DIRECTORS MEETING**

**WEDNESDAY, SEPTEMBER 3, 2014**

A meeting of the Board of Directors of the New Jersey Schools Development Authority (“SDA” or “the Authority”) was held on Wednesday, September 3, 2014 at 9:00 AM at the offices of the Authority at 32 East Front Street, Trenton, New Jersey.

Participating were:

Edward Walsh, Chairman  
Kevin Luckie (NJDCA)  
Matthew Murray (Treasury)  
Bernard Piaia (NJDOE)  
Michael Capelli  
Kevin Egan  
Loren Lemelle  
Lester Lewis-Powder  
Michael Maloney  
Joseph McNamara  
Robert Nixon  
Mario Vargas

being a quorum of the Board. Mr. Egan, Mr. Lewis-Powder, Mr. Capelli, Ms. Lemelle and Mr. Piaia participated in the meeting by telephone conference.

At the Chairman’s request, Charles McKenna, chief executive officer; Jason Ballard, chief of staff; Andrew Yosha, executive vice president; Jane Kelly, vice president & assistant secretary; Donald Guarriello, vice president and chief financial officer; Raymond Arcario, vice president; Albert Barnes, chief counsel; Manuel DaSilva, program director; Thomas Schrum,

program director; Ritchard Sherman, managing director; Gregory Voronov, managing director and Sean Murphy, director, of the SDA, participated in the meeting.

The meeting was called to order by the Chairman of the Board, Mr. Walsh, who requested that Ms. Kelly read the requisite notice of the meeting. Ms. Kelly announced that the meeting notice had been sent to the *Trenton Times* and *Star-Ledger* at least 48 hours prior to the meeting, and had been duly posted on the Secretary of State's bulletin board at the State House in Trenton, New Jersey.

### *Approval of Meeting Minutes*

Mr. Walsh presented for consideration and approval the Minutes of the August 6, 2014 Open and Executive Session meetings. A copy of the minutes and a resolution had been provided to the Members for review in advance of the meeting. Upon motion duly made by Mr. Nixon, and seconded by Mr. Luckie, the Open and Executive Session minutes of the August 6, 2014 meeting were approved by the Board upon its unanimous vote in favor of the resolution attached hereto as *Exhibit 3a./3b*.

### *Authority Matters*

#### *CEO Report*

The Chairman asked Mr. McKenna to provide the Members with the report of the Chief Executive Officer. Mr. McKenna began by providing an update on the status of the Trenton Central High School (TCHS) project. He said that work on the TCHS Swing Space is 100% complete. He noted that all six swing space buildings have received Certificates of Approval. Mr. McKenna said that the site investigation and environmental review of the existing TCHS has been completed and SDA staff is reviewing the draft preliminary report. He advised the Board that staff is also reviewing a draft preliminary report submitted at the end of August resulting

from the structural investigation of the existing TCHS. He labelled as “unprecedented” staff’s recent success in securing and preparing swing space for this project while planning to construct a new school on the existing site. He also discussed the process that will be followed moving forward upon completion of staff review of the draft preliminary structural report. He said that discussions will be held with the District and that, depending upon what the report reveals, options will be presented to and discussed with the Trenton School Board.

Mr. McKenna said that SDA programming meetings with the District are on-going. He added that the temporary construction fence for the existing school site was advertised August 8, 2014 with proposals due September 5, 2014. He explained that the fence will secure the site since the school is now officially closed to students.

With respect to other SDA projects, Mr. McKenna reported that construction is progressing well on the Elizabeth Academic High School project. He also reported that excavation, footing, foundation, waterproofing and concrete slab work is on-going in all areas on the Phillipsburg High School project and that structural steel erection is projected to commence in September. He said that this is a huge project and intense scrutiny by the District should be expected as it advances.

With respect to the Paterson Marshall Street Elementary School project, Mr. McKenna said that structural steel erection commenced on August 26, consistent with the timeframe that the SDA previously had provided the District. He added that work on the pedestrian bridge will be coordinated with the steel erection.

In continuing, Mr. McKenna advised the Board that the State Department of Education (DOE) has approved the design by the design-build contractor for the Paterson PS No. 16 project. He noted that SDA has issued three limited Notices to Proceed (NTPs). He said that the

first is for earthwork (August 22), the second is for underground utilities (August 27) and the third is for footing, foundation, slab on grade and structural steel (August 29).

Next, Mr. McKenna said that construction is progressing well on the Jersey City PS No. 20 Elementary School project. He explained that footings and foundations are nearing completion and that steel erection is approximately 90% complete.

With respect to the Garfield James Madison Elementary School No. 10, Mr. McKenna reported that abatement work, in advance of demolition of the building, is on-going. He said that Construction Documents for the new Madison School are currently under review at the Department of Community Affairs (DCA).

Mr. McKenna advised the Board that the contractor continues to perform site-work excavation and installation of footings and foundations at the Bridgeton Quarter Mile Lane Elementary School. He said that the issuance of a stop work order had been required on the project, but that the underlying issues have been corrected. With respect to the Bridgeton Buckshutem Elementary School project, Mr. McKenna said that footings are nearly complete and that parking lot paving will be completed prior to the first day of school. He said that storm drainage work is on-going at the site.

Mr. McKenna said that structural steel erection is nearing completion at the Newark Elliott Street School. He also reported that the Keansburg Caruso design-build project is in final design and that a limited NTP for site work will be issued in early September.

With respect to the Long Branch Catrambone Elementary School project, Mr. McKenna advised the Board that the district began move-in activities on August 18. He said that commissioning work has been completed, that the DCA issued a Certificate of Occupancy (CO) on August 20 and that punch-list work is 98% complete.

At the Chairman's request, Mr. Arcario then provided the Board with an update on SDA's progress with respect to the Paterson International High School CO. He said that the DCA's list of items to be addressed has been reviewed with the design consultant and pared down significantly. He said that staff will be reaching out to DCA with the objective of securing a CO before the end of 2014.

Mr. McKenna advised the Members that construction work is nearing completion at the New Brunswick Redshaw project. He said that the punch-list will be completed and issued to the design-build contractor in early September. He said that SDA anticipates that the building will open the first week of November and that a CO will be obtained from DCA by the end of October.

Mr. McKenna reported that foundation work is nearing completion on the Newark Oliver Street project. He said that underground utility work is on-going and that steel erection work commenced on August 12. He then described issues that exist with respect to a building located adjacent to the site. With respect to the Newark South Street project, Mr. McKenna advised the Board that early site package work continues with completion expected in December 2014. He added that schematic design of the new school building is underway.

Turning to Procurement Activity, Mr. McKenna advised that, on August 6, SDA issued a NTP to Terminal Construction Corporation for the design-build contract for the Gloucester City New Elementary School/Middle School project. He said that, on August 8, SDA advertised the procurement for Construction Management Services, noting that technical and price proposals are due on September 3.

He said that the procurement for temporary construction fencing for the TCHS project was advertised on August 8. He noted that price proposals are due on September 5.

Turning to the Elizabeth New Elementary School project, Mr. McKenna advised the Board that the procurement for Design-Build Services for the project was advertised on June 9. He said that technical and price proposals are due on September 18. In continuing, Mr. McKenna reported that the procurement for Relocation Services was advertised on August 21. He said that technical and price proposals are due on September 17.

In continuing, Mr. McKenna advised the Board that the procurement for a Broker for the Business and Real Estate Property and Casualty Insurance Program was advertised on June 5. He reported that technical proposals were received from three firms on July 10 and that the procurement process is ongoing. He said that an award recommendation will be presented for approval at the November meeting of the Board.

Mr. McKenna noted that Management will be recommending awards to 12 firms for the Site Consultant Services Task Order Contract. He reminded the Members that this item is on today's agenda and that staff will be discussing it later in the meeting.

With respect to SDA events, Mr. McKenna reported that on Thursday, August 7, the SDA joined Bridgeton officials for a groundbreaking ceremony to celebrate the start of two addition/renovation projects that will provide an additional 675 seats for students in the district. He explained that the event started at the Quarter Mile Lane Elementary School and then officials visited the Buckshutem Elementary School construction site. Mr. McKenna reminded the Members that the SDA has invested \$35.2 million in completed capital projects in Bridgeton alone, along with 11 health and safety/grant/emergent projects.

In continuing, Mr. McKenna advised the Board that, on Wednesday, August 27, he joined legislative and district officials for a tour of an emergent repair project at PS No. 1 in West New York. He said that those present had also discussed an emergent repair project ongoing at the

District's PS No. 5 in West New York. He explained that the work at PS No. 1 involves the repair of damaged and degrading masonry to prevent further damage from weather, adding that the work at PS No. 5 also seeks to prevent further water damage from weather. He said, to date, SDA has invested more than \$180 million in completed projects in West New York alone, including five Capital Projects.

In continuing, Mr. McKenna said that, next week, he and the Trenton School District Superintendent will tour the TCHS swing space to identify any issues that must be addressed. A brief discussion ensued regarding certain details relevant to the TCHS project.

Finally, Mr. McKenna reported that SDA Communications staff is also working with the Long Branch School District to schedule a ribbon cutting ceremony during the latter part of September for the New Long Branch Catrambone School.

At the request of the Chairman, Mr. Yosha and Mr. DaSilva then provided the Board with an update regarding the status of emergent projects that advanced over the summer months.

### ***Audit Committee Report***

The Chairman then requested that Mr. Nixon provide the report of the Audit Committee. Mr. Nixon reported that the Audit Committee met on August 18, 2014. He said that Management had provided the Committee with the July 2014 New Funding Allocation and Capital Plan Update. He advised the Board that there were no changes reported in the Planning, Unforeseen Events and 2008 Capital Plan Emergent Projects Reserve balances during the reporting period. He further advised that there was a \$7.6 million decrease in the 2011 Capital Plan Emergent Projects Reserve due to the release of funds for five emergent grant projects.

Mr. Nixon reported that the reserve balance for the Regular Operating Districts (RODs) decreased by \$400,000 during the reporting period due to the offer of 11 additional grants

approved by the Department of Education (DOE) with the state share of \$1.9 million partially offset by a \$1.5 million reduction in state share for grant projects nearing completion.

Next, Mr. Nixon reported that Management had shared with the Committee the results of its Common Area Maintenance (CAM) Fees Audit for the 1 West State Street space. He noted that the Landlord is DB Realty II. He explained that CAM fees are assessed to cover the operating expenses incurred by the Landlord to maintain areas or services that are common to all building tenants such as stairwells, elevators, roofs and HVAC equipment. He advised that the Audit was conducted to assess the validity of the 2013 CAM fees charged by the Landlord to the SDA. He explained that the Audit found that the Landlord overcharged the SDA by \$568 for its *pro rata* share of the HVAC service contract charge. Mr. Nixon stated that the Landlord agreed with the finding and credited the SDA \$568. He reported that total SDA CAM fees for 2013, with the adjustment, equal \$210,750.00. He reminded the Members that this is the final DB Realty II CAM Audit as the SDA vacated the building as of December 31, 2013.

In continuing, Mr. Nixon reported that the Committee was provided with the July 2014 Monthly Financial Report. He said that, year-to-date, the Authority's operating expenditures total \$11.1 million which is \$1.8 million lower than the operating budget for the corresponding period. He said that this is a \$1 million decrease from actual expenses for the corresponding period in the prior year, noting that the decrease is largely due to lower monthly rent expenses and lower allocation of salary and benefit costs to project costs in 2014. He reported that, as of July 2014, year-to-date project expenditures are \$151.5 million which is \$29.3 million lower than the capital spending forecast for the corresponding period. He said that this is an increase of \$35.3 million as compared to the corresponding prior year. He said that this is largely

attributable to increased spending for construction related activity (\$34.2 million), along with an insurance claim cost recovery (\$8.3 million), offset by a decrease in grant activity.

Mr. Nixon said that Management had presented the Committee with the SDA's 2014 budget reforecast. He noted that the 2014 reforecast is \$33.6 million, which is \$2.3 million lower than the approved 2014 Annual Budget. He said that the reduced spending projections are primarily attributable to 18 fewer full time employees (FTE's) resulting in salary and benefit cost savings of \$2.1 million. A brief discussion ensued regarding SDA staffing needs and challenges.

Mr. Nixon noted that, since inception, 68.8% of the funds authorized for the SDA Districts have been disbursed. He reported that 96% of all SDA disbursements relate to school facilities projects and 4% relate to program administrative and general expenses. Mr. Nixon reported that the current estimated value of current school facilities project activity is approximately \$2.2 billion.

Mr. Nixon then advised the Members that the Audit Committee is recommending that the Board of Directors approve the award of a contract for Independent Auditor Services to Ernst & Young, LLP for a 3-year term. Referencing materials that had been previously provided for Committee review, he explained that the Request for Proposals (RFP) was advertised on June 4, 2014 as a "Price and Other Factors" solicitation noting that price was 20% of the overall weight, and all non-price factors were given a combined weight of 80%. He explained that, consistent with the Executive Order (EO) 122, the SDA Bylaws and the Audit Committee Charter, the procurement process was conducted by an Evaluation Committee (EC) consisting of three Board Members, specifically, Chairman Walsh, Ms. Lemelle and himself. Mr. Nixon advised that,

upon completion of the process, the top ranked firm was Ernst & Young, LLP. He then explained that another component of the RFP was the hourly rates applicable to other services which may be required. He noted that since hourly rates were not part of the scoring component, they were, at his direction, the subject of negotiations which resulted in rate reductions. Mr. McKenna then discussed certain guidance that had been issued by the Office of the State Comptroller regarding term limitations for auditors of public agencies. He referenced certain safeguards that will be employed given that the recommended auditor has previously served as SDA's auditor.

A resolution pertaining to the proposed contract award for Independent Auditor Services had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Mr. Vargas and seconded by Mr. McNamara, the contract award to Ernst & Young, LLP for Independent Auditor Services was approved by the Board upon its vote in favor of the resolution attached hereto as *Exhibit 5a*.

### ***School Review Committee Report***

**1) Credit Amendment - Michael Graves & Associates – New PS No. 16 Elementary School; 2) NJSDA Capital Plan – Portfolio Amendment – Passaic City New Leonard Place Elementary School Preliminary Project Charter Approval; 3) Award – Package No. GP-0204-L01 – Site Consultant Services**

The Chairman then requested that Mr. McNamara provide the report of the School Review Committee. Mr. McNamara reported that the Members are being asked to approve a credit amendment for unused funds for Michael Graves & Associates (MGA) in the amount of approximately \$1.4 million for the New PS No. 16 Elementary School in the Paterson School District (PS No. 16). He reported that PS No.16 is a design-build project, designed to be a 109,513 square foot facility to educate 705 students from Pre-Kindergarten through 8th grade.

Mr. McNamara discussed the project history and the basis for the proposed amendment. He noted that Amendment No. 3 is necessary to credit the remaining unused balance of funds on MGA's contract which totals \$1,373,884.39, as MGA's services are no longer needed. Mr. Schrum then provided additional details regarding the project and proposed amendment.

A resolution pertaining to the amendment for Michael Graves & Associates for the New PS No. 16 Elementary School project in the Paterson School District had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Mr. Nixon, and seconded by Mr. Vargas, the resolution attached hereto as *Exhibit 6a1*. was unanimously approved by the Board.

Next, Mr. McNamara reported that the Members are being asked to approve an amendment to the SDA's Capital Plan portfolio to incorporate the Passaic City New Leonard Place Elementary School project for advancement, along with a Preliminary Project Charter. Mr. McNamara, with input from Mr. McKenna, discussed the capacity issues confronting the District even following the prior identification of the Passaic City Dayton Avenue Education Campus (Dayton Avenue project) for advancement. Mr. McKenna described the SDA's discussions with the District which resulted in Management's recommendation being presented to the Board today. Mr. McNamara said that, following analysis and discussions, it was determined appropriate to advance a new elementary school project (100,000 SF to educate 628 students in grades K-5) to further address the severe overcrowding issues the District continues to experience. Mr. Sherman and Mr. Voronov then offered additional details relative to the project.

A resolution pertaining to the proposed Preliminary Project Charter and amendment to the SDA's Capital Plan portfolio to incorporate the Passaic City New Leonard Place Elementary School project had been provided to the Members in advance of the meeting. Upon a motion by

Mr. Nixon, and seconded by Mr. Egan, the resolution attached hereto as *Exhibit 6b*. was unanimously approved by the Board.

Lastly, Mr. McNamara discussed Management's request that the Board approve a Site Consultant Services award of contracts to 12 firms which will create a new pool of firms with relevant experience and qualifications to successfully perform the required site consultant services. He explained that the SDA previously procured environmental task order services in 2003, 2008 and 2011 to provide for site feasibility investigation and environmental site closure services. Mr. McNamara noted that the current task order contracts will expire in December 2014. He added that specific work assignments under the contracts will be made by way of "task order" on an as needed basis. Mr. McNamara informed the Members that the term of agreement for these contracts is three years. He said that, for any assignment(s) accepted during the term of the agreement, the firm(s) will be allowed to complete specific assignment(s), even if same extend beyond the term of the agreement. He then explained that each of the twelve contracts will, individually, have a "not-to-exceed" amount of \$3,000,000. In response to Member questions, Mr. Murphy provided additional details regarding the recommended contracts and the procurement process followed.

A resolution pertaining to the Site Consultant Services award had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Mr. Luckie, and seconded by Mr. Vargas, the resolution attached hereto as *Exhibit 6c*. was unanimously approved by the Board.

### *Reports/Other*

The Chairman then asked Mr. Ballard if he had any comments regarding the reports which previously had been provided to the Members. Mr. Ballard indicated that he had no additional information to provide.

### *Public Comments*

The Chairman then opened the Public Comments portion of the meeting. No member of the public came forward to address the Board.

Ms. Kelly then advised the Members and the public that the Board will be adjourning into Executive Session to discuss a proposed comprehensive settlement of claims and requests for additional compensation by Prismatic Development Corporation relating to the West New York No. 3 Elementary School Project.

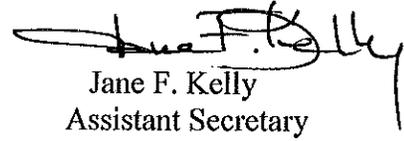
Mr. Walsh then asked for a motion to adjourn the meeting into Executive Session. Upon motion and with unanimous consent, the meeting adjourned into Executive Session.

Following discussion in Executive Session, the Board returned to Open Session.

A resolution for approval of the proposed comprehensive settlement with Prismatic Development Corporation had been provided to the Members in advance of the meeting. Upon a motion by Mr. Piaia, and seconded by Mr. Nixon, the resolution attached hereto as *Exhibit A1* was unanimously approved by the Board.

Mr. Walsh then asked for a motion to adjourn the meeting. Upon motion and with unanimous consent, the meeting adjourned.

**Certification:** The foregoing represents a true and complete summary of the actions taken by the Board of the New Jersey Schools Development Authority at its September 3, 2014 meeting.



Jane F. Kelly  
Assistant Secretary